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# GED Mini-Series: Inclusiveness in the Global Trading System | PART THREE

Written by [IDEAS Centre](#) on 22 March 2017. Posted in [Publications](#)

*Collaboration between the Bertelsmann Foundation and IDEAS Centre*

## Global Economic Dynamics (GED) Mini-Series: Inclusiveness in the Global Trading System

### PART THREE: Where Are We Heading? - What's the current state of affairs and where are we heading?

*In 1995, a large portion of the international community set the tone for a more inclusive and open trading system. The establishment of the World Trade Organisation (WTO) that year marked a new era in global trade governance, where discriminatory trade measures and isolationist trade policies would be prone to challenge and scrutiny thanks to a rules-based system allowing Members to conduct*



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*trade in a more transparent and equitable manner.*

*Still, since the launch of the 2001 Doha round of trade talks very little progress has been made in multilateral talks and the world is now facing a vastly different kind of global trading landscape. One dominated by bilateral talks, preferential trade agreements (PTA's) and most recently mega-regional free trade agreements. The inclusiveness of the global trading system seems at stake. In our new GED-Project mini-series[1] we want to take a closer look at this on-going change. Over the course of the next four blog posts, we will delve deeply into the history of global trade and trade agreements, the various effects the current trading system is having on developed and developing countries, current trends in the system and a potential way out of the impasse and towards a more inclusive system.*

Part three of our four-part series will take a closer look at the current state of the global trading system and the potential path it is heading on. You can click [here](#) and [here](#) to go back to part one and two of our series or click [here](#) to skip ahead to part four.

### **The future of multilateralism**

By going beyond the scope and coverage of multilateral trade agreements, the mega-regionals have raised many issues related to their legitimacy and consequences on global trade governance. Implications for the participating economies have been widely discussed and there seems to be consensus on the positive effects deals like the TPP and TTIP would have for the insiders. Such consensus is nevertheless lacking regarding third countries with some studies actually indicating that the mega-deals will have – albeit they could be lesser than expected – adverse effects for outsiders.

Not only does a focus on the mega-regional negotiations divert attention from the Doha negotiations, impacting therefore non-parties, but many crucial issues covered in the original plans TPP or TTIP do not figure prominently at the WTO. It is clear that the Doha mandate is lagging behind trade realities of the 21st century, but many WTO Members are simply not ready nor willing to cover those issues. On one hand, inclusiveness means that interests of all countries are taken into account. On the other hand, inclusiveness also means that negotiations have to move forward to the benefit of all Members. This does not appear to be the case anymore and the burden of responsibilities can be clearly shared across both developed and developing countries. Both have been blocking the negotiation process for various diverging reasons, but the bottom line is the following: many emerging economies possess enough economic and political leverage to abate the discriminatory effects of the mega-deals, but what about low-income developing countries and other middle-sized economies which strongly rely on multilateralism for their economic integration and growth?

### **Has the West turned its back on the WTO?**

There is a controversy on how mega-deals and other major exclusive arrangements affect the multilateral governance of trade. Some WTO Members consider that such deals are precursors of multilateral liberalisation, whilst others believe that they are undermining the system. In the end, whatever their effects are, it is a fact that those mega-deals influence the position of low-income economies. What is even more troublesome is that such situation affects the negotiating position of the big ones:

1. the economic powerhouses have thus changed their negotiation priorities;
2. they will not be willing to make concessions in the WTO towards “other” parties, that is if they can obtain what they need through the mega-deals; and
3. they will hold the power to impose (*de facto* or *de jure*) to the rest of the world their solutions based on their interests on trade issues that are not covered multilaterally.

These three points are engendering the main risks to the inclusive system. Such situation does not foster a negotiating environment conducive to inclusive results and can only create more frustration.

By the end of 2017, the Eleventh Ministerial Conference (MC11) will take place in Buenos Aires. As of today, prospects for a consensus on most subjects of negotiations remain meagre. The US is now under a new administration and that administration is unlikely to be able (or even willing given President Trump’s past stance on free trade issues) to negotiate before the second half of 2017. There is a great danger that the negotiations taking place before Buenos Aires will simply echo what happened before Nairobi, i.e. a last minute struggle to find wording on a Ministerial Declaration that will make the MC11 look like a partial success.

The truth is that the major players among the developed countries seem to be no longer counting on the multilateral approach of the WTO to promote their economic interests: pushing their agenda through the mega-regionals has been given a crucial priority as far as the EU is concerned, whereas the US under president Trump now seems to be betting on bilateral agreements. They are convinced that the rest of the world will – sooner or later – have to comply with their version of “best practices”, whether this is done merely *de facto* or through a later accord within the multilateral system.

### **How are the emerging and developing countries reacting?**

The emerging trading powers such as Brazil, China, India, etc. are complacent with the present system and they know that, for any improvement, they would have to pay a price they are not willing to wage. China, while celebrating the demise of rival agreement TPP is working on its own agreements such as the RCEP and other massive initiative such as the One Belt & One Road scheme. It certainly does not want to play an offensive role in the WTO given that the Members are attacking many of its existing policies. India wants to retain policy space in supporting its agriculture and seek market access in some services sectors, but it realises that it will not obtain substantial concessions in the current picture. Given its relative geographical isolation, Brazil is one of the few major economic powers that hold real interest in the Doha Round, especially in agriculture. Nonetheless, the South American nation grasps that there is not much hope that the price it would have to pay would be disproportionate to the benefits it would get in return.

This leaves out the LDCs, small and vulnerable economies, as well as other low to middle-income countries which all have major stakes in a strong and reliable multilateral system. Why is that? They are largely excluded from the mega-regional deals and can mostly make their voice heard through multilateral fora. Despite the fact that they represent a majority of the WTO membership, they possess neither the economic weight nor the capacity to be able to push the system forward. In such a constellation of interests, it is difficult to be optimistic about any grand outcome at the next Ministerial Conference. And no outcome at MC11 means less steam for multilateralism and more grist to the mill of regionalism.

So what can be done to find a way out of this impasse and back towards a more inclusive trading system? Click [here](#) to follow us to the final part of our four-part series and find out!

[1] Note: The text for this mini-series in large parts derives from an earlier draft by Xiankun Lu and Darius Rao, which resulted from a collaboration between GED-Project and IDEAS Centre in November 2016.

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